

**GOVERNMENT OF THE VIRGIN ISLANDS
OF THE UNITED STATES**

Public Services Commission

IN RE:

TRANSPORTATION SERVICES OF	)	Docket No. 640
ST. JOHN, INC. AND VARLACK	)	Order No. <u>19</u> /2015
VENTURES, INC. RATE INVESTIGATION	)	
_____	)	

ORDER

WHEREAS, on May 4, 2012, Transportation Services of St. John Inc. and Varlack Ventures, Inc. (hereinafter "Ferry Franchisees or Ferry Companies") submitted a report regarding the request and justification for an increase in fares to the Virgin Islands Public Services Commission (hereinafter "PSC" or the "Commission"), establishing Docket 601; and

WHEREAS, at the July 19, 2012, meeting the Commission appointed Attorney Dolace N. McLean as Hearing Examiner to preside over the hearings for the Ferry Franchisees' Petition for an increase in rates in Docket 601 ; and

WHEREAS, on December 21, 2012, the Ferry Franchisees and the PSC staff submitted a Stipulation of Facts regarding the matters involved in the rate investigation proceedings and the related joint recommendation to the Hearing Examiner; and

WHEREAS, on July 31, 2013, the Commission received the Final Report and Recommendations from the Hearing Examiner; and

WHEREAS, on August 15, 2013, the Commission held a special meeting in the Commission's offices on both St. Thomas and St. Croix; and

WHEREAS, in Order 51/2013 the Commission accepted the Hearing Examiner's report and recommendations with amendments:

1. That the Hearing Examiner's report is **ADOPTED**, with amendments to paragraphs 6, 8, 10, 11, 12 and 15.
2. That the term "Tourist" will be changed and replaced with "Non-Resident Adult" (hereinafter "Non-Resident").
3. That the new Non-Resident category as set forth in the Parties' Joint Stipulation is **ADOPTED** without taking into consideration government grant or subsidies. It is one

creative way to ensure the Ferry Companies net a return of eight percent (8%) on their investment, while creating minimal changes to the current fee structure.

4. That Commission revisits the Ferry Companies' Non-Resident rate within six (6) months and assess the impact of the new Non-Resident category on the overall appreciation in revenue for the Ferry Companies.
5. That the Ferry Companies are required to apply any over-earnings due to the Non-Resident rate to decrease the Adult, Students, and Teachers' fares.
6. That the Ferry Companies are required to cover any under-earnings by increasing only the Non-Resident fares.
7. That future consideration will be given to the implementation of other categories of tickets (one-day pass, family pass, monthly pass, and holiday special pass) that can be billed at a lower differential rate, yet have the potential to increase ridership frequency and revenue.
8. That an increase in the Baggage fares category as set forth in the Parties' Joint Stipulation is **GRANTED**.
9. That an increase in the Student and Teacher fares category as set forth in the Parties' Joint Stipulation is **GRANTED**.
10. That the Ferry Companies are required to increase publicity and promotion of ferry services using alternate media such as radio and television in addition to current methods used to publicize its services.
11. That the Ferry Companies are required to gather data on ticket sales to local residents and Non-Residents through an independent third party that will provide information about demand for services in those categories.
12. That the Ferry Companies are required to issue a press release on the new rates as provided in Appendix A of the Stipulation of Facts and Joint Recommendations, provide schedules and rates to the Department of Tourism, and post copies of the new rates at each ticket booth and on all vessels thirty days before the rates are to go into effect.
13. That the Ferry Companies reserve the right to provide evidence of a need for a higher rate of return at a future rate investigation, pursuant to Title 30 of the Virgin Islands Code, Section 23(b).
14. That the Revenue Recognition Principles as articulated in Paragraphs 5-9 of the "Joint Recommendations to the Hearing Examiner" section of the Parties' Joint Stipulation is **ADOPTED**. Accordingly, projection of Government subsidies, which have not been earned and which are not yet receivable, should not be taken into account for purposes of setting rates because those subsidies or grants are an uncertain and unreliable source of income to the companies.

15. That the Revenue Recognition Principles are **ADOPTED** in this present rate investigation and in future rate reviews.
16. That the Ferry Companies will implement all outstanding requirements of the 2008 Ferry Rate Investigation, except to the extent that changed circumstances or known changes in actual passenger level revenues and expenses render the previous requirements no longer appropriate.
 - a. Specifically, within six (6) months the Ferry Companies will issue Request for Proposals to seek an Independent Third Party Ticketing agent.
 - b. During the PSC's six (6) month review the issue of cost will be considered and those costs will be added to the rate structure to be determined.

WHEREAS, on December 16, 2014, the Virgin Islands Public Services Commission met in regular session at both its offices on St. Croix and St. Thomas; and

WHEREAS, the selection and the appointment of a Technical Consultant and Hearing Examiner was placed on the PSC's agenda; and

WHEREAS, Order 51/2013 ordered that the Commission conduct a six (6) month review of the Ferry Companies' existing rates; and

WHEREAS, upon review and deliberation the Commission voted to **STAY** the selection and the appointment of a Technical Consultant and Hearing Examiner and further **STAY** a review of Docket 640 until a report is presented by the Ferry Companies, within thirty (30) days; and

NOW THEREFORE, the Commission **ORDERS** that:

1. The selection and the appointment of a Technical Consultant and Hearing Examiner for Docket 640 be **STAYED**.
2. The review of Docket 640 be **STAYED** until a report is submitted by the Ferry Companies within thirty (30) days.

So Ordered.

For the Commission



Johann Clendenin, Chair

Date: January 23, 2015